



# Supreme Court of the United States

October Term, 1943.

No. \_\_\_\_\_

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WAYNE M. NEAL; THE LOUISVILLE DRYING  
MACHINERY COMPANY; AND CITRUS PAT-  
ENTS COMPANY, - - - - - *Petitioners,*

v.

STATE OF FLORIDA; THE STATE BOARD OF  
EDUCATION OF FLORIDA; AND STATE  
BOARD OF CONTROL.

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## BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

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### OPINION OF THE COURT BELOW.

1. The *original* opinion of the Florida Supreme Court is reported at 57 U. S. P. Q. 175, while the *amended* opinion is reported at 12 So. (2d) 590 and printed at pages 306-10 of the record.

### JURISDICTION.

1. Jurisdiction of this court is invoked under Section 237 of the Judicial Code as amended [28 U. S. C., Sec. 344 (b)].

2. Jurisdiction is invoked by virtue of the federal questions expressly and necessarily raised, under the Purnell Act and the due process clause of the Fourteenth Amendment of the United States Constitution, by the final decision of the highest court of the State of Florida. The Purnell Act, 43 Stat. 970, c. 308, Sections 1-6, is printed in the appendix hereto. The final decision refers only to Section 1 of the Act. This section appropriates, "*for the more complete endowment and maintenance of Agricultural Experiment Stations,*" annual sums to be "*applied only to paying the necessary expenses of conducting investigations or making experiments bearing directly on the production, manufacture, preparation, use, distribution, and marketing of agricultural products and including such scientific researches as have for their purpose the establishment and maintenance of a permanent and efficient agricultural industry, and such economic and sociological investigations as have for their purpose the development and improvement of the rural home and rural life, and for printing and disseminating the results of said researches.*" While the other sections of the Act are not referred to in the decision, it may be noted that the Secretary of Agriculture is, in Section 4, "charged with the proper administration of this law."

3. The court's original opinion, (R. 306-10) is dated March 23, 1943. This opinion or decree was amended May 25, 1943 (R. 341-42), the amended decree being the final decree from which time to file this petition is reckoned. United States v. Gomez, 1 Wall. (68 U. S.) 690; Providence Rubber v. Goodyear, 6 Wall. (73 U. S.) 153; Gypsey Oil Co. v. Escoe, 275 U. S. 498; Bowman v. Loperena, 311 U. S. 262. The time to file this petition was successively extended to and including September 15, 1943, and September 30, 1943, respectively, by the orders dated August 12, 1943

(R. 351), and September 7, 1943,<sup>1</sup> of the United States Supreme Court.

4. This case involves the title to Neal's United States Patent Application which was purchased by Citrus Patents and which is claimed by plaintiffs, Neal's employers. The whole case turns upon the following: *first*, was Neal obligated to assign by virtue of an employment contract? and, *second*, did the defendant corporations have a hearing on the notice issue respecting such contract?

The rulings of the Florida court which bring this case within the jurisdiction of this court are as follows:

- (a) an employment contract, obligating Neal to assign, is established by the language of Section 1 of the Purnell Act (R. 308);
- (b) the payment of patent expenses out of Purnell funds is conclusive evidence of such contract (R. 309);
- (c) notice of the Purnell Act is sufficient to charge defendant corporations with notice of plaintiff's rights in the Neal application (R. 310); and
- (d) defendant corporations had direct notice of the federally-based employment contract (R. 310) (this holding being based on a "notice issue" which: was not joined in the pleadings during trial; was before the Florida Supreme Court only on denial of plaintiff's motion, made at the conclusion of trial, to amend the pleadings to conform to the evidence; and was unsupported by any evidence in the case).

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<sup>1</sup>The order of Sept. 7, 1943 is printed in the Appendix hereto.

5. Representative cases believed to sustain the jurisdiction of this court, respecting (a) the rulings on the Pur nell Act and its effect and (b) the ruling on direct notice of the contract, are as follows:

- (a) Frost Co. v. Cour D'Alene Mining Corp., 312 U. S. 38, 85 L. E. 500, 61 S. C. 414,  
State of Indiana v. Brand, 303 U. S. 95, 82 L. E. 685, 58 S. C. 443,  
Cissna v. Tennessee, 246 U. S. 289, 62 L. E. 720, 38 S. C. 306,  
Dewey v. Des Moines, 173 U. S. 193, 43 L. E. 665, 19 S. C. 379,  
United States v. Shelby Iron Co. of N. J., 273 U. S. 571, 71 L. E. 781, 47 S. C. 515; and
- (b) Brinkerhoff-Faris Trust & Savings Co. v. Hill, 281 U. S. 673, 74 L. E. 1107, 50 S. C. 451,  
Saunders v. Shaw, 244 U. S. 317, 61 L. E. 1163, 37 S. C. 638,  
Reynolds v. Stockton, 140 U. S. 254, 35 L. E. 464, 11 S. C. 773,  
Postal Telegraph Cable Co. v. Newport, Ky., 247 U. S. 464, 62 L. E. 1215, 38 S. C. 566.

**STATEMENT OF THE CASE.****Fact Background.**

1. *Neal's employment*—In 1929 Neal was employed<sup>1</sup> as assistant in animal nutrition at the Experiment Station of the University, his employment being general (R. 28, 306) and his salary coming exclusively from Purnell Funds (R. 149, 248-49, Neal Exhibit 12), and on *August 31, 1933*, the Experiment Station set up (R. 142), and placed Neal in charge of (R. 143), official project 239 to investigate the cattle feeding value of *dried* citrus waste, *i. e.*, refuse from grapefruit and orange canning factories (R. 306-07). This project was entitled “The Digestibility Coefficients And Feeding Value Of Dried Grapefruit (And Dried Orange) Refuse” and its object was “To determine the coefficients of digestibility of the nutrients contained in commercially-dried grapefruit refuse and their value in feeding dairy cows (Plaintiff’s Exhibit 1).

2. *Neal's invention*—In 1935, while conducting experiments (R. 2-3, 7) pursuant to project 239 Neal became interested in the problem of processing citrus waste to eliminate moisture therefrom and, in *August, 1935*, announced (R. 2-3, 7) to Dr. Newell (R. 47-49) his July, 1935 discovery of a process of chemically treating (R. 157, 226, 230, 254-55) wet citrus waste which facilitated the well-known drying operations necessary in manufacturing the raw waste into a dried feed.

3. *1935 Oral agreement*—On *August 13, 1935*, Neal filed (R. 49) application Ser. No. 36,035, to patent the

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<sup>1</sup>Neal admits (R. 249) that Plaintiff's Exhibit 79 correctly states his duties on March, 1934 and he testifies as to his original duties (R. 247-48) and his project 239 duties (R. 248). For similar testimony by others, see R. 43-45, 142-144. Both Courts say his original employment was general employment (R. 27-28, 306).

method under an *oral arrangement* made with the Experiment Station wherein the Experiment Station was to, and did, pay, from State (not federal) funds (R. 165, 171), the expense incident to filing and prosecuting the aforesaid Neal application while Neal was to assign the patent to the State Board of Control if and when secured (R. 2-3, 9-10). Neal claims that the oral arrangement looked toward a future agreement under which he would assign and be compensated (R. 262, 267, 268, 275).

4. *Neal interference*—In (November) 1938 the United States Patent Office declared an interference between Neal's aforesaid application and other similar applications respectively owned by Louisville Drying and California Fruit Growers Exchange, a California corporation of Los Angeles, California, hereinafter designated "Exchange" (R. 4, 17, 23, 74, 202-204). In this interference Neal was the senior party while Louisville Drying and Exchange were the junior parties.

5. *Louisville Drying negotiation*—In July, 1940 both junior parties, *assuming*<sup>1</sup> (R. 202, 204-05) that Neal's application was owned by the University, *opened* (R. 203) negotiations with the Experiment Station (R. 75-77, 111-112, 186-89, 202-06) to settle the interference and *submitted* (R. 77) a settlement proposal (Plaintiff's Exhibit 51) under which the junior parties would agree to concede priority to Neal and give the Experiment Station all rights east of the Mississippi River under their respective "citrus waste" patents and patent applications in return for certain rights under Neal's application (as plead at R. 4, 17-19, 23-26).

6. *Termination on representations*—In August, 1940, these negotiations were terminated upon the representa-

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<sup>1</sup>This assumption was based first on a reference, in the file wrapper of Neal's application, to "applicant's assignee" (R. 204) and second on an exhibit, forming a part of that file wrapper, marked "Submitted by Wilmon Newell" (R. 205) who was the Director of the Experiment Station.

tions: *1st of Neal* (R. 189-90, 207, 209-10, 218) who offered to sell the application to Louisville Drying *saying* that he owned it, was under no legal obligation to assign it to the Experiment Station although he had had conversations with the Experiment Station looking toward an agreement involving assignment by him and compensation by it and would not assign it unless compensated; and *2nd of Dr. Newell* (R. 83-85, 88, 112-118, 192-196, 210-213) *who*, being informed of Neal's statement by Lissauer, President of Louisville Drying, *stated* (R. 116) that the Experiment Station would not compensate Neal and *mislead* Lissauer (R. 310) into the belief that Neal could give a good title by saying that the Experiment Station had nothing more than a gentleman's agreement with Neal and if Neal repudiated that, the Experiment Station had no way to enforce it, and *who, at Lissauer's suggestion* (R. 118, 194-95, 212-13), *conferred with Neal in a further and final attempt to secure an assignment and thereupon telegraphed Lissauer* (Def. Corp.'s Exhibit 3) *that Neal would not assign* (as plead at 19-20, 24-26).

7. *Citrus Patents purchase*—In September, 1940, Lissauer, relying on such information, withdrew the proposal (Plaintiff's Exhibit 51) by telegram (Plaintiff's Exhibit 63), incorporated Citrus Patents (R. 186) and caused it to purchase Neal's application on September 13, 1940 (R. 28, 213, 217, 219, 221, 310).

#### **Pleadings.**

8. The *complaint* (R. 1-6), filed in December, 1940, together with the separate answers of Neal (R. 6-14) and of the corporate defendants (R. 15-20, 21-27), in setting forth the background facts, established, as basic issues, the 1935 oral agreement and notice thereof. It is noted that the

complaint did not allege and the other pleadings did not establish:

- (a) that project 239 was in fact a Purnell project carried out under the Purnell Act and paid for with Purnell (Federal) funds derived under the Act; or
- (b) that Neal's obligation to assign arose from any employment contract, whether it be employment under the Purnell Act or otherwise.

#### **Trial and Evidence.**

9. The cause was tried before the Chancellor himself with the evidence:

- (a) establishing *Neal's employment* (R. 43-45, 142-44, 152, 247-49, Plaintiff's Exhibits 1 and 79) and *intervention* (R. 47-50, 157, 226, 230, 254-55) as stated;
- (b) conflicting as to whether or not the *1935 oral agreement* was *an enforceable agreement* obligating Neal to assign *or an unenforceable agreement* to make a future agreement under which Neal would assign and be compensated therefor, the evidence preponderating as to the future agreement (R. 50, 82, 97-105, 110, 119-23, 159-60, 176, 211-12, 236, 241, 262, 267-68, 275); and
- (c) establishing the *interference* (R. 74, 202-04), *negotiation* (R. 75-77, 111-12, 186-89, 202-06), *termination on representations* (R. 83-85, 88, 112-118, 189-96, 207-13, 218) and *purchase* (R. 213-21) as stated.

10. The evidence also established:

- (a) that the Experiment Station conducted "State sponsored" and "Federally sponsored" projects (R. 42, 249-252);

- (b) that project 239, while pleaded as an Official project (R. 2), was, in fact, a Purnell (Federally sponsored) project under an (unpledged) Act of Congress identified, in the testimony, simply as a Purnell Act (R. 96, 140);
- (c) that Neal made the invention during the time he was employed on that project (R. 249); and
- (d) that the patent expenses<sup>1</sup> were paid from State, not Federal, funds (R. 165, 171).

*But there was a complete absence of evidence showing or suggesting that either or both Louisville Drying and Citrus Patents had any notice of these facts.*

#### **Plaintiff's Motion to Amend.**

11. At the conclusion of the evidence, plaintiff, "to clarify the pleadings," moved to amend the complaint so that it would allege that Neal "was employed as aforesaid to develop and discover the said process or method" (R. 293-94). An allowance of this motion would set up two new issues namely: *an employment contract*; and *notice of it*, the original notice allegation (R. 5) being broad enough to apply to such contract. Since the Chancellor could not properly allow this motion unless it made the pleadings conform with the evidence, he deferred his ruling on the motion until he had reviewed the evidence and marked it "Presented for filing" (R. 294).

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<sup>1</sup>See Plaintiff's Exhibits Nos. 65-71, 73-74 and 78 showing that such expenses were paid out of State, not Federal, funds.

**Chancellor's Findings of Fact.**

12. The Chancellor incorporated the following findings of fact in his decree of August 7, 1942:

- (a) The defendant, Wayne M. Neal, was employed by the Agricultural Experiment Station of the University of Florida, at Gainesville, Florida, and was in its employ for year beginning July 1, 1935, and ending June 30, 1936. His title was "Associate in Dairy Nutrition." The employment of the defendant, Neal, was under a general contract of employment, and was never at any time a contract to invent or discover the process that was discovered by him in July, 1935. The process discovered by him was one for elimination of moisture from citrus waste so that such waste could be used in the manufacture of cattle feed (R. 27-28).
- (b) No agreement was made by the said Wayne M. Neal to assign the process discovered, to the plaintiffs, or either thereof. If the understanding of the parties amounted to anything, it only amounted to an agreement to make a contract in the future (R. 28).
- (c) The defendant, Wayne M. Neal, did not at any time hold the title to the process discovered by him in trust for plaintiffs or either thereof (R. 28).
- (d) The defendant, Citrus Patents Company, purchased the legal title to the application of defendant Wayne M. Neal for a patent to the process discovered by him, which carried with it all the rights of the inventor (R. 28).

(e) The defendant, Citrus Patents Company and its organizers, had implied actual notice that the plaintiffs might have a property interest in the Neal discovery or process, and hence were put on inquiry as to the extent of their interest, if any.

The defendant, Citrus Patents Company and its organizers, satisfied that duty, and made "reasonable inquiry" in their efforts to ascertain the extent of the plaintiffs' interests. The defendant, Citrus Patents Company, was a bona fide purchaser for value without notice.

Furthermore, the organizers of Citrus Patents Company made inquiry of plaintiffs as to any interest they might have in Neal's application, and upon such inquiry was led to believe that as against plaintiffs, Neal could give a good title; that Citrus Patents Company acted and relied upon such information (R. 28).

The Chancellor also incorporated additional findings (R. 28-30) showing: that up to September, 1940, plaintiffs had expended \$1,202.66 in connection with the Neal application; that in September, 1940, plaintiffs informed Neal that the sum expended was \$1,064.06, but refused reimbursement by Neal of this sum; that Neal thereupon deposited \$1,500 in escrow to reimburse plaintiffs; and that plaintiffs are entitled to full reimbursement with interest on the difference between \$1,202.66 and \$1,064.06.

Thereupon the Chancellor dismissed both plaintiffs' motion to amend and plaintiffs' complaint (R. 30).

**Reversal by the Florida Supreme Court.**

13. The Supreme Court of Florida reversed the Chancellor. In doing so, it impliedly affirmed the Chancellor's holdings on the 1935 oral agreement and notice issues but *treated the complaint as if it were amended to include the employment contract allegation (R. 307) presented in plaintiff's motion to amend.* So treated, the court considered the pleadings as presenting an "employment contract issue" and a "notice issue" respecting such contract (R. 307).

14. With respect to such "*employment contract issue,*" the court held:

(a) that "The contract of employment was, in its inception, general, but when Project No. 239 was set up under the Purnell Act and Dr. Neal placed in charge, it was from that time hence for the express purpose of accomplishing the result that was accomplished . . . the invention in question was the product of Dr. Neal's contract of employment and . . . it inured to his employer" (R. 308).

15. The court based this holding squarely upon the Purnell Act itself, saying:

(a) that a specific contract was supported by "The Purnell Act of Congress, under which Project No. 239 was set up, limits allotments to the State to pay the expense of '*conducting investigations or making experiments bearing directly on the production, manufacture, preparation, use, distribution, and marketing of agricultural products and including such scientific researches as have for*

*their purpose the establishment and maintenance of a permanent and efficient agricultural industry'" (43 Stat. 970, c. 308, Sec. 1; 7 U. S. C. 370) (R. 308);*

- (b) that "One of the most conclusive proofs of this (contract) is the fact that the Experiment Station paid all the expense of securing the patent, including Dr. Neal's expenses to Washington for that purpose, from the Purnell Fund" (R. 309); and
- (c) that "notice of the Purnell Act and its purpose . . . was sufficient" to charge Citrus Patents with notice of plaintiff's rights (R. 310).

16. The court also found support for the employment contract in specified items of conduct by the contracting parties (R. 308-09). However, since the contract is dated by the court as of August 31, 1933, and since the conduct specified was subsequent to that date, it becomes apparent that the conduct specified is relied upon by the court as indicating an awareness by both parties of a contract based on the Purnell Act.

17. With respect to the *employment contract notice issue*, the court held:

- (a) "On the question of whether or not Citrus Products (Patents) Company was a purchaser in due course without notice, it appears that reliance is placed primarily on a conversation they had with the director of the Experiment Station who said in substance that they had nothing more than a gentleman's agreement with Dr. Neal and that if he repudiated that, appellants (plaintiffs) had no way to enforce it. This was a misleading statement but there were plenty of red flags flying to

warn appellees (defendant corporations). The Contract between the Experiment Station and Dr. Neal was the determinative answer to this question and the record shows that appellees were *on notice of this contract*. They were also *on notice of the Purnell Act and its purpose*. Either of these factors was sufficient answer to this question so we do not deem it necessary to labor the opinion with further discussion of the question of notice" (R. 310).

18. Obviously the court based this holding of notice on the theory that notice of either the Purnell Act or the 1933 employment contract was sufficient to charge Citrus Patents with notice of plaintiff's contract rights under the Purnell Act, and that Citrus Patents had notice of both the Act and the employment contract.

19. The first (April) rehearing petition filed by defendant corporations (R. 310-13) after the original opinion and before the mandate issued, called the court's attention to the complete absence of evidence to support the employment contract notice "issue" which was before the court only on the denial of plaintiff's motion to amend. Neal's first petition (R. 314-31), filed before the mandate issued, not only called attention to the fact that the original suit was based on the 1935 oral agreement and not on an employment contract, but together with his second petition (R. 333-38), filed before the opinion was amended, called attention to the court's unwarranted construction of the Purnell Act, as did the third petition of the defendant corporations (R. 343-46) filed after the court amended the opinion in response to defendant corporations' second rehearing petition (R. 339-41).

**SPECIFICATION OF ERRORS.**

20. If the writ of certiorari be issued, petitioners desire to argue that the Supreme Court of Florida, with respect to the Purnell Act and the 14th Amendment of the Federal Constitution, erred as follows:

With respect to the Purnell Act

1st, in holding that Neal's employment became, by virtue of the language contained in Section 1 of the Purnell Act, a specific contract to invent in August, 1933, *when* Project No. 239 was set up under the (unpledged) Purnell Act and Neal placed in charge of it (R. 308),

2nd, in holding that one of the most conclusive proofs of such specific employment contract is the fact that the Experiment Station paid all of Neal's patent expenses from the Purnell fund (R. 309),

3rd, in holding that the notice of the Purnell Act and its purpose was notice of plaintiff's specific employment contract rights under it (R. 310),

4th, in holding that the title to Neal's Purnell invention inured to his employers, the Experiment Station and the State interests it represents (R. 309), and in failing to hold that it inured to the Federal interests which administer the Act and furnish Purnell funds under it, and

5th, in permitting Neal's employers to hold Neal's Purnell invention for their personal benefit without dedicating it to the public at large; and

With respect to the Fourteenth Amendment

6th, in holding that the corporate defendants generally and Citrus Patents specifically had notice of Neal's

*federally based* specific employment contract, i. e., the 1933 contract based on and arising under the Purnell Act of Congress (R. 310), when the notice "issue" respecting such contract, on which plaintiffs would have the burden of proof, was not joined in the pleadings during trial, was before the highest court only on appeal from the denial of plaintiff's motion made at the close of trial to amend the pleadings, and was totally unsupported by any evidence whatsoever in the case.

## **ARGUMENT.**

### **Summary.**

1. The Supreme Court in dating Neal's alleged contract to invent as of August 31, 1933, and in ruling directly upon the effect of the Purnell Act respecting such contract, based the existence of the contract squarely on the Purnell Act and not upon *either* the language of the project as it stood on August 31, 1933, *or* the acts occurring subsequent to that date, such as the verbal amendment of the project and the conduct of the contracting parties. (Preliminary.)
2. Neal's duties under his general employment contract remained unchanged when the alleged specific contract was created; hence his employment remained general and did not become specific. (First error assignment.)
3. The use of Purnell funds to pay patent expenses on Purnell inventions is evidence only of a violation of the Purnell Act since the language of that Act specifically limits the use of such funds to the payment of expenses incurred in conducting specified types of research and experiment. (Second error assignment.)

4. Notice of the Purnell Act is not notice of a private contract to invent under the Act because the Act contains no reference to any such contract. (Third error assignment.)

5. If Neal be obligated to assign, by virtue of a contract to invent based on the Purnell Act, then the assignment should extend *either* to the Federal interests which furnished Federal money to pay for the research leading to the invention, *or* to plaintiffs under conditions requiring them to dedicate the invention to the public for the benefit of all citizens of the United States, since those citizens, in passing the Act and providing funds for it, obviously did so for their own benefit and not for the personal benefit of plaintiffs. (Fourth and fifth error assignments.)

6. The Supreme Court's holding that defendant corporations had notice of Neal's contract to invent is arbitrary and unjust because it concludes a point upon which defendant corporations have not been heard and have had no occasion for a hearing, the opportunity for a hearing being an essential requisite of due process. Furthermore, the rule, that pleadings may be treated as amended on appeal to sustain a judgment, should not be invoked to reverse a judgment, particularly where, as here, it results in an injustice. (Sixth error assignment.)

### **Preliminary.**

Since the courts below have referred to several different factors, in their discussions of the general or specific nature of Neal's employment, it should be helpful to consider them in a preliminary way in order to eliminate those which do not contribute to the contract to invent and to establish the Federal or State nature of those which do. Both courts agree that Neal's original employment was general and remained so at least until August 31, 1933, *when project 239 was set up*. Consequently, if Neal were

ever employed to invent, his employment would fall under the general proposition of law that general employment with an invention resulting from the setting of the employee upon a specific problem in the course of and as a part of that employment will, *if sufficiently specific*, raise in the employee the obligation to assign the invention. Ellis on "Patent Assignments and Licenses," 1936 Ed., p. 133; Goodyear Tire & Rubber Co. v. Miller, 22 F. (2d) 353, 9th C. C. A.; Houghton v. United States, 23 F. (2d) 386, 4th C. C. A. Accordingly, defendants concede that Neal's general employment *could* have become a specific contract to invent:

- (a) on August 31, 1933, *when* project 239 was set up, if the language of the project were sufficiently specific (first factor); or
- (b) between August 31, 1933, and July, 1935 (his invention date), if the project were amended by verbal instructions to Neal of a sufficiently specific character (second factor).

The language of project 239 (Plaintiff's Exhibit 1) is obviously of a very general nature while *the substance of that project is directed to the analyses of dried feed to determine its food value and not to a method of chemically treating raw waste which facilitates drying the waste by old drying methods.* The project was amended by verbal instructions in December, 1934, or January, 1935, when Dr. Hume, Neal's superior, instructed him to "*look into methods of drying*" (R. 136), whereas the invention resides in a chemical treatment of raw wet citrus waste which decreases the amount of water to be evaporated from the waste and renders the waste easier to dry by old and well known methods of drying (Plaintiff's Exhibits 5, 6). The Chancellor considered both of these factors and found the

employment general (R. 27-28). The Supreme Court considered them both (R. 306-07) but did not base the contract to invent on either. The Supreme Court found that Neal's employment became a specific contract to invent *when* the project was set up and Neal placed in charge of it (R. 308). Both of the acts occurred on August 31, 1933; hence the contract to invent is dated August 31, 1933. The language of the project is not referred to as a basis for the contract while the verbal amendment of the project occurred a year and a half after the date of the contract.

A *third factor* is the Purnell Act. The Supreme Court based the contract to invent squarely upon this Act by ruling: that a specific contract was supported by the language of Section 1 (R. 308); that the payment of the patent expenses out of the Purnell funds was conclusive proof of the existence of the contract (R. 309); and that notice of the Act alone was sufficient to charge Citrus Patents with notice of the contract (R. 310). *The court thus expressly construed and gave effect to a federal act;* hence it is irrelevant to inquire how and when the federal question was raised. Robertson and Kirkham's "Jurisdiction of the Supreme Court of the United States," 1936 Ed., Sec. 77, page 130. A federal question is expressly raised where a State court's decision, respecting a private contract, is based wholly on the interpretation and application of a Federal Act. *Frost Co. v. Cour D'Alene Mining Corp.*, 312 U. S. 38, 85 L. E. 500, 61 S. C. 414; *Awotin v. Atlas Exchange Bank*, 295 U. S. 209, 79 L. E. 1393, 55 S. C. 674.

A *fourth factor* is the conduct of the contracting parties subsequent to, and therefore under, the 1933 contract to invent. The Supreme Court refers to specified items of conduct (R. 308-09) saying that such conduct after August 31, 1933, supports their conclusion that a contract to invent was created on August 31, 1933. From this it becomes clear, that the conduct of the parties is not relied upon to

establish a contract *independent of the Purnell Act* but it is relied upon as showing the existence of a contract *dependent on the Purnell Act.*

From the foregoing, it becomes evident that the Florida Supreme Court relied upon: the Purnell Act (3rd factor) as creating a specific contract to invent; Project 239 (1st factor) as dating that contract; and the verbal amendment of the project (2nd factor) together with the conduct of the parties subsequent to August 31, 1933 (4th factor) as subsequent acts corroborating the conclusion that such contract was in existence. Thus all factors, except the third, are eliminated.

Before passing, we note that the elimination of all but the third factor, the Purnell Act, places the Supreme Court's decision squarely upon federal grounds and not upon non-federal grounds. *A decision, which might have been rested on non-federal (res judicata) grounds but which actually is based upon federal grounds, is reviewable by the United States Supreme Court.* State of Indiana v. Brand, 303 U. S. 95, 82 L. E. 685, 58 S. C. 443; Henderson Bridge Co. v. City of Henderson, 173 U. S. 592, 43 L. E. 823, 19 S. C. 553. While the court rested its decision on federal grounds not asserted by either party, the fact that it expressly construed and gave effect to a federal act appears to be sufficient to give this court jurisdiction. Cissna v. Tennessee, 246 U. S. 289, 62 L. E. 720, 38 S. C. 306; Meidreich v. Lauenstein, 232 U. S. 236, 58 L. E. 584, 34 S. C. 309. But even if it were not, this court would have jurisdiction since the defendants called the court's attention to the fact that it had misconstrued and gave unwarranted effect to the Act on petition for rehearing, which was the *first opportunity* so to do. Brinkerhoff-Faris Trust & Savings Co. v. Hill, 281 U. S. 673, 682, 74 L. E. 1107, 1114, 50 S. C. 451, 455; Missouri v. Gehner, 281 U. S. 313, 74 L. E. 870, 50 S. C. 326. Since the Purnell Act was *not pleaded*,

*not clearly identified in the testimony, not mentioned in the Circuit Court's decision and not affirmatively relied upon by either party before either the Circuit Court or the Supreme Court of Florida, there was no way of anticipating that the Supreme Court would base its decision on this unexpected ground; hence this court should take jurisdiction under the rule governing "surprise" cases.* *Saunders v. Shaw*, 244 U. S. 317, 320, 61 L. E. 1163, 37 S. C. 638.

#### **First Assignment of Error.**

This assignment raises a question which may be stated as follows:

(a) *Where an Experiment Station employee, while employed under a general contract, is assigned to a generally worded Purnell project conducted by the Experiment Station under the Purnell Act, does the general employment contract become, at the time of the Purnell project assignment, by virtue of the language of the Purnell Act itself, an express or specific employment contract binding the employee to assign all Purnell inventions, i. e., inventions which relate to the project and which are made by him while working on the project?*

Neal's original employment in 1929 was as a laboratory worker, to engage in the analyses of blood, tissue, feed stuffs, etc. (R. 249, Plaintiff's Exhibit 79). Both courts below agree that this employment was general (R. 27-28, 306). General employment requires no assignment of inventions to the employer. *Hapgood v. Hewitt*, 119 U. S. 226, 30 L. E. 369, 7 S. C. 193; *Solomon v. United States*, 137 U. S. 342, 34 L. E. 667, 11 S. C. 88; *Dalzell v. Dueber Mfg. Co.*, 149 U. S. 315, 37 L. E. 749, 13 S. C. 886; *Gill v. United States*, 160 U. S. 426, 40 L. E. 480, 16 S. C. 322.

To set up a contract to invent on August 31, 1933, it must be shown that Neal's duties were changed, at that time, sufficiently to charge him with employment to invent a method of chemically treating the raw waste which would facilitate the drying operation so necessary in manufacturing it into a dried feed. *Houghton v. United States*, 4th C., 23 F. (2d) 386; *Solomon v. United States*, *supra*; *Gill v. United States*, *supra*; *Standard Parts Co. v. Peck*, 264 U. S. 52, 68 L. E. 560, 44 S. C. 239.

The general nature of Neal's duties were not changed by the Purnell Act or Project 239 because, in conducting that project under that Act, his specific project duties were to make arrangements for feeding *dried waste* to cattle and to arrange for the records to be kept, the samples of feed taken, the analyses of these samples, and the calculation, and from the results of these analyses, of the actual feed value of the dried waste (R. 248-9). In fact, Neal's superior, Dr. Shealey, wrote Neal in March, 1934, that his duties *then* were those of a laboratory worker engaging in the analyses of blood, tissue, feed stuffs, etc. (Plaintiffs' Exhibit 79). Furthermore, the project itself, Plaintiffs' Exhibit 1, related to the feed value of the feed and not to a chemical treatment of the raw waste; hence was in line with his general employment as a laboratory worker.

No case has been found in which the existence of a specific employment contract is based upon a Federal Act. *In this connection it is submitted that the Purnell Act cannot properly be used as a basis for a contract to invent; first, because its language is too general; and, second, because Congress manifested no such intention. The Act makes no mention of, or provision for, employment contracts or inventions.*

The law applicable to private employers determines the right of a government to the inventions of its employees, *United States v. Dubilier Condenser Corp.*, 289 U. S. 178,

77 L. E. 1114, 53 S. C. 554; hence determines plaintiffs' rights herein either as private employers or governmental agencies.

The Florida Supreme Court did not rule that the verbal amendment to the project in December, 1934, or January, 1935, rendered Neal's employment specific. It did rule that such verbal amendment supported its conclusion that the contract became specific on August 31, 1933, when the project was set up. Since it is clear that the contract did not and could not become specific on August 31, 1933, it appears to be desirable to give some consideration to the character of the verbal amendment.

The Florida Supreme Court, in referring to such verbal amendment, stated that Neal "was instructed to conduct the research with the view of developing a better method" (R. 308). This statement, broadly speaking, is true, but the character of the research Neal was instructed to conduct did not embrace his invention or otherwise render his employment specific. This is manifest from Dr. Hume's testimony wherein he stated that in December, 1934, or January, 1935, he instructed Neal to "*look into methods of drying; and to that end to find out what was being done in the drying of brewery waste, of apple pomace and beet pulp, and what was the process being used to put those things on the market*" (R. 136). Obviously this instruction or amendment entailed only a determination of the machines and processes which were then used on other materials and which might be suitable for use on citrus waste. Dr. Hume did not suggest that Neal should try to develop a distinctly new drying means or a distinctly new drying method and certainly his instructions did not even remotely suggest that Neal should attempt to develop a new *chemical method of treating citrus waste*. Dr. Hume's verbal amendment of Project 239 did not embrace Neal's invention as late as June, 1935, when Neal was on his honeymoon trip,

during which he conceived the invention, since Dr. Hume at that time wrote Neal a letter, Plaintiffs' Exhibit 76, instructing him to "secure all information possible on drying *in case we deem it expedient to research the field.*" Accordingly the defendants assert that the verbal amendment of Project 239, subsequent to August 31, 1933, did not render Neal's employment specific because it was not only generally worded but directed to a field other than the inventive field (R. 46, 136, 143-44, 150-57, 166).

#### **Second Assignment of Error.**

This assignment raises a question which may be stated as follows:

(b) *Is the existence of such a specific contract indicated or proved by the action of the Experiment Station in using Purnell funds to pay the expense incident to patenting Purnell inventions?*

This question is answered in the negative by the express language of Section 1 of the Purnell Act which requires Purnell funds to be applied *only to specified types of research and experiment* (Sec. 1). The use of Purnell funds to pay patent expenses is evidence only of a violation of the Act.

The Florida Supreme Court based its affirmative answer to the above stated Federal question upon its finding that Neal's "expenses in securing the patent, including attorneys' fees, and his expenses to Washington, all amounting to more than \$1,200, were paid from the Purnell fund by the employer" (R. 308). This finding of fact is in direct opposition to plaintiffs' uncontradicted evidence which shows that Neal's patent expenses could not be paid "out of Purnell funds" (R. 171) and, as a matter of fact, were paid out of State funds (R. 171, Plaintiffs' Exhibits

Nos. 65-71, 73-74 and 78). The denial of a Federal right, based on an unsupported finding of fact, presents a reviewable question of law. *Creswill v. Grand Lodge Knights of Pythias of Georgia*, 225 U. S. 246, 261, 56 L. E. 1074, 32 S. C. 822.

### **Third Assignment of Error.**

This assignment raises a question which may be stated as follows:

(c) *If the general employment contract became specific when the employee is assigned to a Purnell project, is notice of the Purnell Act itself alone sufficient to charge a stranger or third party with notice of such contract?*

The corporate defendants concede that they are charged with constructive notice of the Purnell Act and that notice to Lissauer, President of both defendant corporations, is notice to both corporations.

We have found no case holding that notice of a Federal Act constitutes notice of a private contract. However, for notice of one paper, such as the Purnell Act, to give notice of another paper, such as Neal's employment contract, the first paper must contain a reference to the second, and the reference must indicate that both papers deal with a subject matter to which the inquiry would be relevant. *United States v. Shelby Iron Co. of N. J.*, 273 U. S. 571, 71 L. E. 781, 47 S. C. 515.

The corporate defendants concede that whatever puts a party on inquiry amounts to notice, provided inquiry becomes a duty and would lead to knowledge of the facts by the exercise of ordinary intelligence and understanding, *but the corporate defendants assert that there is nothing contained in the Act to put them on inquiry; hence notice*

*of the Act is not sufficient to charge defendant corporations with notice of an employment contract not mentioned in, or otherwise indicated by, the Act.*

#### **Fourth and Fifth Assignments of Error.**

These assignments raise questions which may be stated as follows:

- (d) *If the employee is contractually obligated to assign such Purnell inventions, does that obligation extend either to the Experiment Station and the State interests that it represents or to Federal interests such as the Secretary of Agriculture who is charged with administering the Act, who furnishes the funds under the Act, and to whom the Experiment Station must account for its operations, receipts, and expenditures on Purnell projects under the Act?*
- (e) *If such obligation to assign extends to the Experiment Station or to the State interests that it represents, can any of these interests hold the invention for its personal benefit or for the benefit of all the citizens of the State in which the Experiment Station is located, or must it dedicate the invention to the public for the benefit of all the citizens of the United States?*

The foregoing questions are necessarily raised by the court's action in permitting plaintiffs to hold an unrestricted title. Furthermore, they may be considered as related to the question expressly raised in connection with the first assignment of error, and thus reviewable under the doctrine recognized in *Dewey v. Des Moines*, 173 U. S. 193, 43 L. E. 665, 19 S. C. 379, since they are raised only when the first question is decided in the affirmative and

may, then, be viewed as an enlargement of the first question.

We know of no cases deciding, or even bearing upon, the questions raised but we assert first, that if a Purnell employee, such as Neal, is obligated to assign a Purnell invention, the assignment should extend to Federal interests, such as the Secretary of Agriculture, because he is charged with administering the Act (Sec. 4) under which the project was conducted, and he furnishes Federal funds, under the Act, to pay the expenses of the project (Sec. 1). The Experiment Station, in receiving these funds, must account for its operations, receipts, and expenditures (Sec. 3), and, if they misapply the funds, the State must replace them (Sec. 3), for otherwise the Secretary of Agriculture is authorized to withhold further appropriations under the Act (Sec. 4). Since the Federal Government pays for Purnell inventions, it should receive the assignment of the invention instead of plaintiffs.

But even if the assignment were properly received by plaintiffs, they should not be permitted to hold the invention for their personal benefit or for the benefit of citizens of Florida. They should be required to dedicate the invention to the public for the benefit of all citizens of the United States, since those citizens passed the Act and provided the funds for it and since it is obvious that the Act was passed by all citizens of the United States for the benefit of all citizens of the United States and not for the personal benefit of plaintiffs.

#### **Sixth Assignment of Error.**

The question raised by this assignment may be stated as follows:

(f) *Where a final judgment of the highest court of a state has the effect of depriving a defendant of*

*property by holding that such defendant had notice of a federally based employment contract, i. e., one based on and arising under the Purnell Act of Congress, does that holding constitute a deprivation of property without due process of law because that defendant had not the opportunity or the occasion for a hearing on the notice issue, on which the holding was based, since such issue: first, was not joined in the pleadings during the trial; second, was before the highest court only on an appeal from the denial of plaintiff's motion, made at the conclusion of the trial, to amend the pleadings to conform to the evidence; and, third, was totally unsupported by any evidence<sup>1</sup> whatsoever in the case?*

During trial: the pleadings did not place in issue either a contract to invent or notice of it; and plaintiff introduced no evidence whatsoever showing, or even suggesting, notice.<sup>1</sup> Until a notice issue was joined in the pleadings, there was no need for evidence on it or even the right to introduce such evidence. Until plaintiffs introduced such evidence, there was no burden upon the defendants to introduce rebutting evidence. *Saunders v. Shaw*, 244 U. S. 317, 61 L. E. 1163, 37 S. C. 638. *Accordingly, up to the end of the trial, the corporate defendants not only did not have any opportunity for a hearing on an issue of this character, but they had no occasion for such hearing and no notice of the necessity for such a hearing.* What may not be taken away is notice of the charge and an opportunity to be heard

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<sup>1</sup>There is a complete absence of evidence in the record showing that the corporate defendants had notice: (a) of any specific employment contract under the Purnell Act or otherwise; or (b) of Project 239 either as a general project of the Experiment Station or as a Purnell project thereof; or (c) of Neal's employment on that project; or (d) of Neal's making the invention while working on that project; or (e) of the conduct, specified by the Florida Supreme Court, of the contracting parties under that project.

in defense of it. *Snyder v. Massachusetts*, 291 U. S. 97, 78 L. E. 674, 54 S. C. 330.

Since there was no evidence whatsoever respecting notice by the corporate defendants of any employment contract to invent, there was nothing to which the pleadings could be made to conform in regard to such notice; hence the Chancellor properly denied plaintiff's motion to amend at the close of trial in so far as that motion raised the notice issue in question.

The Florida Supreme Court's holding that the corporate defendants had direct notice of a contract to invent, had the effect of depriving Citrus Patents of its property in the Neal application and of depriving Louisville Drying of any interest it might have therein. (We note that Louisville Drying does not claim any such interest, but the Circuit Court, in entering a final decree based on the mandate of the Florida Supreme Court, decreed that Louisville Drying had some unidentified interest in the Neal application which it must give up.)

The first rehearing petitions of the defendants called the court's attention to the fact that the suit was based on the 1935 oral agreement and not upon any employment contract to invent and that the holding on notice was entirely unsupported by the evidence. *Since the matter was before the Supreme Court only on a motion to amend, in order to conform the pleadings to the evidence, the fact that there is no evidence is enough to show there can be no issue.* Under these circumstances, the court's holding on notice and its denial of the petitions for rehearing has the effect of depriving the corporate defendants of property without a hearing in violation of their rights under the due process clause of the 14th Amendment of the Federal Constitution. *Saunders v. Shaw*, 244 U. S. 317, 61 L. E. 1163, 37 S. C. 638.

*The opportunity to be heard is an essential requisite of due process of law in judicial proceedings.* Postal Telegraph Cable Co. v. Newport, Kentucky, 247 U. S. 464, 62 L. E. 1215, 38 S. C. 566; Simon v. Craft, 182 U. S. 427, 45 L. E. 1165, 21 S. C. 836; Louisville & Nashville R. R. Co. v. Schmidt, 177 U. S. 230, 44 L. E. 747, 20 S. C. 620; Windsor v. McVeigh, 93 U. S. 274, 23 L. E. 914; Brinkerhoff-Faris Trust & Savings Co. v. Hill, 281 U. S. 673, 682, 74 L. E. 1107, 1114, 50 S. C. 451, 455.

While we recognize that the Circuit Court had jurisdiction of the parties and of the general subject matter here involved, we submit that in the absence of both an issue on notice and evidence on notice, it did not have requisite or specific jurisdiction of the notice subject matter in question. Consequently the Supreme Court could not exercise that jurisdiction and its judgment, to the extent that it did, is void. "*A defect in a judgment, arising from the fact that the matter decided was not embraced within the issue, . . . must avoid . . . (the) judgment . . . A judgment upon a matter outside of the issue must of necessity be altogether arbitrary and unjust, as it concludes a point upon which the parties have not been heard.*" 1 Black on Judgments, Sec. 242, 1902 Ed., pp. 358-59. *A decree passing on a question not in issue is void.* Reynolds v. Stockton, 140 U. S. 254, 35 L. E. 464, 11 S. C. 773; Gentry v. United States, 101 F. 51, 8th C.; Merril v. Rokes, 54 F. 450, 452, 8th C.; Burton v. Platter, 53 F. 901, 905, 8th C.; Taussig's Ex'rs v. Glenn, 51 F. 409, 413, 8th C.

We recognize that where, during trial, evidence is entered without objection on an issue not joined, either the lower court or the appellate court may treat the pleadings as amended and *sustain* the lower court's judgment to avoid reversal for an immaterial error. However, such rule should not be invoked to reverse a lower court's judgment on the merits. United States v. Winkle Terra Cotta,

8th C., 110 F. (2d) 919. And this is particularly true where an injustice may result by preventing the opposing party "from making a full and fair showing on the issue raised by such amendment." National Refining Co. v. Pennsylvania Petroleum Co., 8th C., 66 F. (2d) 914.

But even if it were possible successfully to argue that the Florida Supreme Court properly treated the complaint as amended on appeal to include the 1933 employment contract and notice issues, the question above stated is nevertheless a Federal question because the notice issue is a Federally based issue, since it involves notice of a contract based on a Federal Act as distinguished from a contract based purely on "State" circumstances. The Florida Supreme Court's holding, or finding of fact, on this Federally based issue, is reviewable because it is unsupported by any evidence in the case. *An unsupported finding of fact is reviewable where a Federal right is denied.* Postal Telegraph Cable Co. v. City of Newport, Kentucky, 247 U. S. 464, 62 L. E. 1215; Sou. Pacific Co. v. Schuyler, 227 U. S. 601, 611, 57 L. E. 662, 33 S. C. 277; North Carolina R. R. Co. v. Zachary, 232 U. S. 248, 259, 58 L. E. 591, 34 S. C. 305; Carlson v. Curtiss, 234 U. S. 103, 106, 58 L. E. 1237, 34 S. C. 717; Norfolk & Western Rwy. v. Conley, 236 U. S. 605, 610, 59 L. E. 745, 35 S. C. 437; Interstate Amusement Co. v. Albert, 239 U. S. 560, 567, 60 L. E. 439, 36 S. C. 168.

Since plaintiffs failed to plead or prove notice by defendant corporations of a contract to invent, the judgment of the Supreme Court should be reversed and that court directed to enter a decree for the corporate defendants.

**CONCLUSION.**

For the foregoing reasons, it is respectfully submitted that this petition should be allowed and the judgment of the Supreme Court of Florida reviewed and reversed.

Respectfully submitted,

By HUGH AKERMAN,

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